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Social Welfare in East and West – A Tranquilizer for Dialogue

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Executive summary
According to the discourse of elites in East and Southeast Asia public social policy before and after the financial crises in 1997 and 2008 has been supportive of a small public sector, free trade and the allocation of growth in the market-place. This approach relied on a Weberian-type explanation emphasizing a set of Confucian or proclaimed Asian values such as hard work, discipline, enterprise, family, thrift, responsibility and respect for authority. It was furthermore based on an a deliberate philosophy and particularistic strategy of not emphasizing any measures of social welfare state or publicly sanctioned entitlements, as this would most certainly decrease national competitiveness in global markets. This approach has recently been challenged by pressures from the labor sector which in tandem with increased democratization is pressuring the political agenda regarding provisions of state sanctioned welfare and social security. The old-style authoritarianism based on "Asianism" and the policy on growth priority at any cost is being questioned. It seems that an important outcome of the financial crises and the emerging democratic space has entailed greater demands for public provision of social welfare and more articulated political expressions for collective entitlements. An important prospect might be a "soft" restructuring of the present custodian developmental state towards a more redistributive public sector with characteristics of a social welfare state.

Objective and approach
Globalization and new information technologies are eroding long-standing socio-economic, cultural and political boundaries in East and Southeast Asia: Programmes of economic liberalization and transitions to democratic policies are transforming the parameters of public policy; and there are significant differences between strata, classes, generations, time and spatial perspectives across the region in terms of outcome of these basic transformations. These tendencies simultaneously open up new avenues for growth and enhanced individual wealth capacities, but also create new forms of unevenness and exclusion. Democratization and decentralization might lead to greater demands for public welfare provisions and renewed challenges to the nation-state.

The paper considers the debate about social welfare policy and labor market policy from a structuralist political economy perspective by first focusing on the political and ideological content of the controversy on the issue of attitudes toward entitlements; second by exploring the impact of existing social welfare policies in Southeast Asia compared with other regions; thirdly it explores the class nexus between labor organizations approach to social policy and the relationship with labor market regulations, policies on qualification and upgrading of labor

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skills, and finally the analysis sets up three possible scenarios regarding social reform initiatives which might prove important in the near future.

The main purpose of the contribution is to provide a critical assessment of social policies in Southeast Asia (Thailand and Indonesia in particular, but also Malaysia and the Philippines) in a comparative perspective with the East Asian experience (Japan, Korea and Taiwan - excl. labor), and the Scandinavian experience with corporatism (incl. labor). Are there lessons to be learned from models of social provisioning, with the ultimate objective of ensuring decent and secure lives for all citizens - particularly the poor, the excluded sectors in society and the unemployed? However, given the degree of uncertainty that currently prevails, this paper will not attempt to offer definite conclusions or policy prescriptions. As a matter of fact, in terms of social welfare, equity and labor market policies the pre-crisis model of East Asia might offer lessons for the West and vice versa. Mutual learning and dialogue must be the key for future understanding and cooperation.

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> *Lesson No.1. is that government handouts do not alleviate the underlying causes of income disparity. No.2: attempts to redress such gaps through taxation and welfare spending end up alienating the rich and fostering a debilitating dependence among the poor. Lesson No. 3: nations running chronic deficits lose their international credibility. Their competitiveness erodes, and global investors punish them by refusing to buy bonds issues by their governments unless they offer very high interest rates (Asiaweek 26 January, 1996: 19 cf. Ramesh 2000b: 194).*

Introduction

In 1997 the economic miracle in Asia came to an impasse. What many academics (Bello and Rosenfeld 1990; Schmidt 1997) had known for years became manifest in an economic and social crisis which soon spread into pluralities of crises rivaling the public debt crisis in Latin America in the 1970s and 1980s, and the aftermath of the Great Depression in the 1930s. In fact, Malaysia, Thailand, Indonesia and Korea saw more than 100 billion$ fleeing the countries with massive social, economic and political consequences, and many observers even from the International Financial Institutions (IFI) changed their vocabulary and began talking about recession or even depression.

Although the underlying reason for what caused the crises and subsequent impacts and consequences begs a number of queries, and although we already do have a plethatory of writings and explanations, one pertinent question stands out: Why didn’t the East and Southeast Asian policy-elites, their constituencies, and domestic and foreign policy advisors prepare the ground for the crisis and related to this why was there an absence of a minimum social security net, which could have contributed to a less dramatic outcome.

At least in short-term perspective there was a rapid growth of unemployment and poverty following in the footsteps of the crisis. In the longer perspective the crisis has led to a rethinking of the so-called ”East Asian miracle”. Once held up by the multilateral agencies as a model for world capitalism (World Bank 1993), the crisis prone economies are now shown to the world as deficient because of structural distortions. As stressed by the first managing Director of the IMF, Stanley Fischer, “It is striking that models run out of string at some point. Communism worked very well for thirty or forty years and then started collapsing. Crony capitalism delivered for a long time in Asia but that interlocking nexus of banks, governments, corporations became quite rotten and it is rotten in the countries in crisis and they have to be reformed.” likewise the Managing Director Michel Camdessus offered this comment: ”It would be a mistake to blame hedge funds or other market participants for the turmoil in Asia...Turbulence in the market is only a symptom of more serious underlying problems which are now being addressed in many countries” (Fischer/Camdessus 1998 cf. Jayasuriya and Rosser 1999: 6). The crisis is viewed as the determining proof that no alternative to the neoliberal Anglo-Saxon type of capitalism ever existed. It is an over-extension of the Eurocentric annihilation of Western superiority.

It is in its essence a universalist and hegemonic discourse claiming that "progress is somehow permanent and natural in the European part of the world but not elsewhere, and progress elsewhere is mainly the result of the diffusion of the innovative ideas and products from Europe and Europeans" (Blaut 2000: xi). In this sense Eurocentrism can be understood as the implicit view that societies and cultures of European origin constitute the "natural" norm for assessing what goes on in the rest of the world and an explicit a way to use capitalist crises as a pretext to denounce alternatives and outright claim the superiority of neoliberal hegemony in universalistic terms. This double-move repeated itself in the aftermath of the 2008 where the present claimed Euro sclerosis is used as pretext for downsizing the welfare state and hard won entitlements of the labor movement and working people in general.

There are several reasons for this high degree of interest in this crisis. One is the sheer unexpectedness and magnitude of the 1997 crisis that struck a set of countries long considered to be friends of the Washington Consensus,[2] and the

2 The Washington Consensus refers to the neo-liberal policy coming out of close collaboration between the IMF and the World Bank under guidance/supervision by the US Treasury. The consensus was based on a set of policies including financial sector liberalization, privatization of state-owned enterprises, fiscal discipline, and trade, exchange rate and foreign investment deregulation. What is of interest here, however, is the broader consensus in Washington that the capital account should be liberalized and the fact that key sectors of the public sector should be deregulated and privatized. This includes social welfare, but quite peculiarly not the

fact that foreign creditors needed an assurance that "the loans they had made to the bankrupt finance companies, local banks and local enterprises would be guaranteed by the government, on the grounds that not compensating the creditors would provoke more capital flight and further reduce [the economies] attractiveness as an investment site. This was, as the logicians say, the *reductio ad absurdum* of the thinking that had dominated [the friends of the Washington Consensus] for more than a decade" (Bello 1998: 17). No matter how one interprets this situation, which might indeed with some irony be termed ”a major market failure", subsequent loans from the IMF went to repay the private sector's foreign creditors, who refused to be penalized by the market for bad investments.[3] However, this is not what is interesting here, but rather the new convergence between Keynesian intellectuals who together with the ILO and the World Bank would like to see the Asian developmental states reformed and transformed into Keynesian demand-driven economies - where emphasis is put on asset, income and land-reforms, progressive taxation and social justice entering the political agenda (Bello ibid). The IMF (together with the Fed) put oil on the fire, and the World Bank, UNDP, ILO and others came with the fire extinguishers and suddenly called for social safety nets in Asia to prevent social unrest and disastrous social consequences (IHT April 16, 1998; ILO 1998). Indeed the World Bank itself in its 1999 report concurs about the former ”free market showcase for the Third World: ”East Asia's crisis is best seen as a story of rapid growth built on incomplete foundations, which was left exposed to winds of the international capital markets. Now that the financial earthquake has occurred, it will have to rebuild its success on new foundations in its trade competitiveness" (World Bank 1999: 16). Good governance is the new buzzword, and indeed flexible labor markets and a renewed emphasis by the World Bank on safety nets, institution building and civil society denotes that the IMF and the World Bank differ in their interpretations and recommendations, although it is difficult to discern what spin doctor advice is and what real change is.

In a certain sense, the change of emphasis”parallels the attempts by Blair and Clinton to carve out a *Third Way* between the paths of Thatcherite economic liberalism and old-fashioned bureaucratic interventionism through a greater articulation of the role of the state as a facilitator of economic reform"

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labor market per *se*.

3 Banks from the EU countries were the largest creditors in East Asia $106 billion, Japanese banks $68 billion, while U.S. banks only accounted for $ 18 billion (IHT April 14, 2000).

(Jayasuriya and Rosser 1999: 11), and can be denoted as the post-Washington Consensus. An interesting U-turn in terms of policy priorities, but also an unclear concept which has caused a great deal of disagreement among European social democratic leaders and therefore it must be dealt with in careful way. For instance it is not clear whether the World Bank still holds the view that globalization of production is expanding international trade and more trade will mean more employment opportunities. And the dictum"fears that increased international trade and investment and less state intervention will hurt employment are mainly baseless" (World Bank 1995: 60). This advice was followed by most countries and together with the premature liberalization and deregulation of the financial sectors those were fundamentally the main causes for the crisis, and it is therefore of interest to know whether this is still the case or not in 2010.[4] After all as the New York Times recently asked"Is the United States no longer the global beacon of unfettered, free-market capitalism?" (NYT 17 Sept. 2008). In extending billions in lifeline private companies and even nationalizing several conglomerates, Washington has not only turned away from decades of rhetoric about the virtues of the free market and the dangers of government intervention, but it has also probably undercut future American efforts to promote such policies abroad. "For opponents of free markets in Europe and elsewhere, this is a wonderful opportunity to invoke the American example," said Mario Monti, the former antitrust chief at the European Commission. "They will say that even the standard-bearer of the market economy, the United States, negates its fundamental principles in its behavior."
Mr. Monti said that past financial crises in Asia, Russia and Mexico brought government to the fore, "but this is the first time it's in the heart of capitalism, which is enormously more damaging in terms of the credibility of the market economy" (NYT 17 Sept. 2008).

The countries of East and Southeast Asia were hit differently by the crisis. Some were seriously affected whereas others appear to have escaped rather lightly. Especially China seems to have been able to ride the storm without fundamentally altering its economic policies. However, social protection and labor market policies and programs have taken on sharply increased importance in China in recent years and the Chinese state used a traditional Keynesian

4 For an interesting account, see Stiglitz who notes that"the U.S. Treasury Department pushed liberalization in Korea in 1993 over the opposition of the Council of Economic Advisers. Treasury won the internal White House battle, but Korea, and the world, paid the price" (Stiglitz 17 April, 2000).

approach to jump start the market. This is a clear indication of the fact that the countries of the region never represented or followed one development model. Therefore, a rethinking of the crises in 1997 and 2008 should also be a rethinking of the East Asian model and it involves a discussion about the role of social and labor policies versus flexibility both by theoretical, historical and empirical analysis. One impact of this rethinking is seen in the post-Washington consensus mentioned above where social safety nets suddenly became important in World Bank parlance. The paradigm relies on careful targeting of social expenditures and social safety nets to enable social cohesion and social capital to foster smooth structural adjustment without creating social havoc and at the same time saving the market from its own destruction.

This post-Washington Consensus might be interpreted as a boomerang for East Asian policymaker. For years, the regions technocrats cum bureaucrats, politicians and business executives looking at the expensive welfare states, regulatory structures and redistributive tax policies that developed in Scandinavia, had proclaimed the necessity of following a different developmental path. The main economic problems, before and now, of the non-welfare states in East and Southeast Asia depend on their position in the world economy. Although there are embryonic welfare constructions they are paradoxically both globally unique and hybrids of existing welfare states. With the emphasis on familialism and aversion to public social services, it remains a paradox that in a comparative framework with Scandinavia, Continental Europe and the Anglo-Saxon countries, East Asia´s social security arrangements have lagged far behind its economic achievements (Esping-Andersen 1996: 9-10, 21, 23).

The political and ideological content of the controversy on the socalled East West issue of attitudes toward entitlements

Comparative political economists have developed different arguments regarding the determinants of social policies. One type of argument points out those social welfare policies convergen ces due to an underlying logic of industrialism, and another see them as state responses to the social requirements of capitalism. A third view approaches the problematique from quite another angle by suggesting that the survival of market-based capitalism is essentially based on a Keynesian strategy which saves it from self-destruction (Galbraith 1997: 5). The necessary prerequisite is a compact between labor and capital. This type of argument is based on two readings of the Keynesian Social Welfare state. One sees it as a tool of compromise when the foundation of capitalism is at stake like during and after the crisis in of the 1930s and post WW II. The second reading regards the socio-economic dimension (i.e. the surplus absorption); by functioning as a demand primer, including social expenditures, Keynesian macroeconomics alleviates the tendency towards stagnation (Schmidt & Hersh 2000: 8). Nonetheless, those readings form the very basics of Scandinavian corporatism - where the state is projected to be the arbiter between labor and capital.

This understanding is closely related to the important debate regarding the past and present of the way ties to the world economy, patterns of geopolitical and geo-economics competition, and processes of transnational cultures, ideologies and policy discourses have influenced social policies. The impact of the external determinants on social policy agendas and labor market policies cannot stand alone, but should be pared with an understanding of the impact of states on social and labor market policymaking.[5]

These theoretical concerns make the recourse to history important - and broadly speaking, the neoliberal prescriptions on social and labor market policies cannot be based on the past record. History provides no clear examples of laissez-faire policies which resulted in high wage economies capable of supporting widely dispersed welfare benefits for a large population. Essentially what has happened is what Bienefeld (1992: 31) once called the disarming of the state. Financial deregulation is a route to an increasingly polarized society in which the majority will suffer sustained welfare losses and in which the goal of a more humane, caring and leisure-oriented society will soon be dismissed as utopia. This is exactly what is happening in 2010 as one of the main outcomes of the global financial crisis is that "the promises of neoliberal globalization have failed to materialize. Even adherents of the ideology of utopian "free-markets" seem to fear that it has reached its end-point. The strategy of neoliberalism on the world scale has become synonymous with a dysfunctional calamity of hyper exploitation, growing inequalities, and exclusive imposition of property rights and greed for a tiny elite of super nova rich" (Schmidt 2010: 19).

In this regard the question which social sciences faces in view of globalization is whether the process will result in greater social welfare or whether globalization serves to reduce the social dimension of twentieth century capitalism. This problematique has gained special significance in the context of the breakdown of East Asian authoritarian capitalism - except in China. Will an evolution towards more democracy open the way to a greater contest over the economic surplus/social product? How will the political systems absorb the demands of the social classes at a time when adjustment to the conditionalities imposed by the IFIs goes in the direction of the dismantling of the developmental state?

5 social policy here understood broadly as social security, health and education.

One consequence of the effects of globalization and neoliberal hegemony has been the ideologization of the role of the state in East Asia and implicitly the region’s social welfare systems. Neoconservatives in Europe, the United States and East Asia are seemingly in convergence when they point to the importance of culturally-bound social values such as hard work, discipline, enterprise, family, thrift, responsibility and respect for authority. Thus, the Weberian interpretation of European capitalism as a product of Protestantism has been recycled to explain the so-called East Asian miracle in terms of a specific Confucian ethic. In fact a certain ideological convergence has made its appearance despite the much publicized divergences. Yet one of the results of economic growth and the emergence of East Asian self-confidence was based on the fact that "the preconditions for new political alliances spanning 'East' and 'West' are emerging," and "opponents of liberalism and social democracy, both inside and outside 'Asia', are drawing on each others' arguments and views with a growing synergy" (Rodan 1995: 2). Nonetheless, although these ideologies agree with the neoconservatives on the particular important aspect of defending the rights of capital and business against perceived threats from labor and trade unions, there are differences regarding their perception of the role of the state.

Presumed models of small government, company/corporate welfare systems, and strong familial traditions (inside/outside distinctions, patriarchal authority, strict gender role separation and female subordination) are being used to argue against public social welfare expenditures. Indeed, former Malaysian President Mahathir Mohamad echoed views of European conservatives when he showed distaste for socalled Western values and at the same time strongly emphasized "the need to preserve the family unit, sexual propriety and respect for elders" (FEER 20 August, 1992: 18). The Malaysian govern▼ment’s official aim is to establish a caring society and a caring culture: a social system in which society will come before self: in which the welfare of the people will revolve, not around the state or the individual, but around a strong and resilient family system (Awang 1993: 185). In Japan, the conservatives seek to reinvigorate Confucian familialism in order to deal with problems of the rapidly ageing population. These examples closely parallel Christian Democratic policy in much of Europe, and for basically the same reason they are unlikely to be effective (Esping-Andersen 1996: .24). Even proponents of the *Third Way* see social security arrangements like the provident fund mechanism found in Southeast Asia as one which could be recycled into Blair´s stakeholder society. Also the World Bank has recommended this “reverse Orientalism” (White, Goodman and Kwon 1997) insurance model as one of three pillars essential for “averting the old age crisis” (Ramesh 2000a: 3).

Beneath the surface of these ideological divergences and convergences toward social welfare the bottom line of the debate is that social security issues are assuming greater importance. It is being realized that the maldistribution of wealth and increasing vulnerability of modernizing social systems in East and Southeast Asia can potentially lead to unrest and instability. It seems clear that ideological and culturalized positions of social welfare have become a factor which shape internal and external policy in various directions depending on the social circumstances.

The sudden and massive shift in sentiments towards these countries on the part of international financial markets, the relative ineffectiveness of efforts so far to stabilize markets, and the general failure on the part of governments, international organizations and markets to anticipate the crisis, poses new and difficult problems. They raise critical issues of national and international public policy in the context of growing globalization of financial markets. Foremost among these issues is the question of what can be done to avert or reduce the likelihood of similar crises in the future (ILO 1998: 8) and not least what can be done to avoid a growing informalization of labor markets in East and West.

From Developmental State to Reregulation

Before the onset of the crisis in 1997, East and Southeast Asian leaders (including Japan) deliberately encouraged economic growth by emphasizing international competition through a calculated export-led strategy and avoidance of social welfare programmes. This essentially anti-entitlement attitude laid the groundwork for a stable societal order based on political ideology and a specific set of social values. Policy-making in this regard promoted a political culture which claimed that public welfare reduces productivity. Despite very high economic growth rates, some emphasis has been devoted to education and to a lesser extent health. Social welfare expenditures were primarily located in the private domain and concentrated on public employees. The explicit purpose of this course was to avoid wage increases and in general neutralize labor and oppositional policy groupings. In general, this particular strategy has been implemented either through co-opting, repressing or linking high growth and increases in employment opportunities with control by the government. However, historically speaking, there have been attempts and pressures from the labor movement for the state to adopt and implement social security related legislation and policies but in most cases these attempts were either brutally crushed or incorporated into dominant elites ideology, narratives and symbols regarding localism and self-sufficiency at household or village levels.

By putting”politics in command” the developmental state in East Asia played an important role in the capitalist growth process. The East Asian late in▼dustrialization development model was based on the implementa▼tion of a specific under▼standing of political economy, whereby the state assumed a function in the guidance of the economy without disregarding the importance of the market. Government policy-making was thus organically tied to the production factors - land, labor and capital - in actively creating comparative advantages. Before the crisis neo-Listian theory enabled a clear explanation and provided the definition of the East Asian developmentalist state which had”a role different from that of the Keynesian welfare state in the already advanced countries. The Keynesian welfare state serves to restrain market rationality by measures to protect groups vulnerable to the consequences of market rationality. In contrast the developmentalist state restrains market rationality in order to pursue a policy of industrialization *per se”* (Hoogvelt 1997: 206). But the export-oriented strategy came to an impasse. During the Cold War the White House offered free access to the US market to handful non-communist economies in the region. Today competition has become harsh among Asian economies, and not least the Chinese shift to a labor-intensive EOI strategy has left the region with a drive downwards on prices and profits, and in any case, there is overproduction in almost any productive sector in the real economy relative to the decline of outlets on the European and US markets. Furthermore, the developmen▼tal state with its *embedded autonomy* became its own gravedigger. The very success of the developmental state in structuring the accumulation of industrial capital changed the nature of relations between private capital and the state. As private capital became less dependent on the resources provided by the state, the latter’s dominance diminished. The *zaibatzus* and *chaebols* became the new masters and coupled with resurgent distributional demands the elite networks and bureaucratic structures the state became transformed into a new type of regulatory institution (Evans 1992; 1995).

The problem for especially Southeast Asia is that the countries have very much been subjected to the advice of IFIs to reduce state control of the economy and society. The role model has been that projected by neoliberalism which in recent years has also attacked the social compromise created by the”Welfare State” in the West. In contrast, all historical experience shows that neoliberalism is not a precondition for economic growth and achieving competitiveness in the world market. The new post-Washington Consensus - *the Third Way* - does recognize that the poor, the marginalized and those in the informal sector should be targeted, but also new labor market policies regarding training, upgrading of qualifications and linking pension funds to savings will according to the new paradigm create more efficient markets and social welfare. The point is that ”the real debates in the next decade are not going to be about whether there should be safety nets but about the control, management and generosity of retirement funding in East Asia. In this sense, the new consensus is an attempt to seize the policy agenda in response to a new range of demographic and social problems” (Jayasuriya and Rosser 1999: 16). The question is whether the”new approach” resembles well-known neoliberal prescriptions such as advocated by Friedrich von Hayek and Milton Friedman who projected three systems of welfare: the family, the voluntary sector (charity), and the free market. Accordingly, the state's role should be a residual and minimal one, and on very rare occasions, should it involve a responsibility limited towards means-tested minimum benefits and entitlements.

However, there are also important constraints for a successful implementation of a re-regulated state based on good governance and still relying on EOI development (Schmidt 2010):

1) The international environment is not as conducive to export-led growth as it has been in the past.
2) It will be difficult to obtain political legitimacy enabling state capacities to operate (the past experience weighs on the present).
3) The market is weakening the propensity of the state to fulfil its function of guiding the economy.
4) The state is being weakened by the loss of revenues through the privatization of public property and national enterprises.
5) The political sphere is in distress and the state does not have the capacity of establishing the social arrangement conducive to economic growth.
6) Furthermore, states in Europe, East- and Southeast Asia have to cater to international multilateralism and goodwill.

The real issue is what Ankie Hoogvelt (1997: 113) convincingly argues that there is a historical trend towards forms of production organization in which capital no longer needs to pay for the reproduction of labor power. In the wake of the 1997 and also 2010 crises participation in the global marketplace means that the domestic market is no longer needed to serve the self-expansion of capital. Jobless growth is what the present phase of capitalism is all about. ”It is this process of globalization rather than any claimed imbalance in the national accounts between public and private sector growth (the fiscal deficit), nor any demographic imbalance (the greying population) that is the main reason for the perceived need to shed and restructure the welfare state which has become the dominant political project in all advanced countries since the 1980s" (Hoogvelt ibid). Coupled with the fact that there is a"race to the bottom" in terms of job flight as mentioned at a conference for East Asian union leaders hosted by the AFL-CIO: "As soon as we start to organize a union, the company threatens to move to Vietnam," and it was an unanimous view that international regulations are needed to keep companies from moving to low-wage economies (Los Angeles Times February 22, 1998).

The socalled East Asian and China miracles have been used to confront oppositional views and directly or indirectly produce an intellectual climate of fear in the West with intimidations such as: If Asia rises, the West, or at least its jobs and wages, must fall. This big business oriented threat claim that the problem is "Western democracy itself, which runs the danger of ceasing to be a vehicle for delivering the services that ordinary people want from the government, and of becoming instead an instrument for helping strong lobbies pick tax-payers' pockets. This is a danger that developing Asia has been fairly good at avoiding" (The Economist 30 October 1993: 6).

The OECD has warned that the costly and work-discouraging welfare apparatus in the West is beginning to strike at the authority of the democratic system. This essentially self-fulfilling argument was echoed in a Far Eastern Economic Review editorial: "For too long Western rights advocates have tended to equate social progress with the growth of a welfare state, measuring commitment by gross social spending. If Asia has managed to keep its families intact and its economies growing, it is in no small part because countries here have for the most part resisted this temptation. The West has shown how slippery the welfare road can be, with benefits once granted quickly graduating to special interest status and becoming permanent" (FEER June 23, 1994: 5).

Paradoxically, while the welfare state in the West has been criticized for being patronizing, the philosophy of individual or family responsibility for the provision of social security is only possible in the context of a paternalistic form of government. It is reflected in the so far successful attempt "to control the discourse on welfare in Singapore, and to treat welfare provisions as essentially privileges to be doled out at the discretion of the government in return for gratitude from the citizenry" (Asher 1994: 70). Apart from the Filipino case, the paternalistic nature of state and governance can be extended to other East and Southeast countries and even South Asia as well.

This trend is also being underscored in the West by the growing emphasis by the OECD on flexibility and low wages; but what is more important in this context is the accompanying guideline according to which high non-wage employment costs, such as social security and unemployment insurance, should be reduced. "A reduction of the non-wage costs is recom mended, especially for lower salaries," and governments should implement "lighter less interventionist regulation" (OECD Observer 1995: 41).

A comparison of expenditures on social welfare in Western Europe, the United States and Japan shows that, "in Europe, the increasing reliance on a reserve army of contingent workers reflects the growing concern on the part of corporate management that the expensive social net is making their companies less competitive on global markets" (Rifkin 1995: 201-202). On average, workers enjoy longer paid vacations and work fewer hours besides being 50 percent more expensive than either U.S. or Japanese labor. Public spending in Europe is the highest and much of it goes to finance social programs to protect and enhance the well-being of workers and their families. German social security payments in 1990 were 25 percent of GDP, while the U.S. spent 15 percent and only 11 percent in Japan. The finance of social entitlements required a corporate tax burden in Germany which exceeds 60 percent, compared to 52 percent in France, and only 45 percent in the U.S. Adding up all the expenditures of the welfare state which includes costs of taxes, social security, unemployment benefits, pensions, and medical insurance - they amount to about 41 percent of the total GDP in Europe, compared to 30 percent in the U.S. and Japan. In contrast, in the early 1990s, the costs of social security and welfare accounted for less than 5 per cent of total expenditure and net lending in Southeast Asia, while an additional 3-5 percent was spent on health (Asher 1996: 72).

The above propositions regarding state sanctioned social welfare raise the question of how nation-states and policy-makers control the nature and impact of globalization an important one. It is essentially a matter of how individual states adapt and respond to the neoliberal policies of keeping wages below productivity growth and downsizing domestic costs which have led to an unstable vicious circle of '*global competitive austerity*': "Each country reduces domestic demand and adopts an export-oriented strategy of dumping its surplus production, for which there are fewer consumers in its national economy given the decrease in workers' living standards and productivity gains all going to the capitalists, in the world market. This has created a global demand crisis and the growth of surplus capacity across the business cycle" (Albo 1994: 147). Furthermore, the convergence between low welfare expenditures and export orientation has become part and parcel of the tendency to position national economies in the international system.

Stephen Gill has pointed out that "Recent growth in enclave residential development, private provision of security, and private insurance and health care suggests that access to what were often considered to be public goods under socialised provision is now increasingly privatised, individualised, and hierarchical in nature. More broadly, there has been a transformation of the socialisation of risk towards a privatisation and individualisation of risk assessment and insurance provision. Nevertheless, this process is hierarchical: For example, burdens of risk are redistributed, marketised, and individualised (*e.g.*, associated with illness, old age, or pensions) as opposed to being fully socialised through collective and public provision. (The IMF and the World Bank have recently pressed for the privatisation of public pension provision, especially in the Third World, to create larger local capital markets)" (Gill 1995: 407 and fn.26). Furthermore, globalization universalizes the labor market, thereby undermining labor unions and labor standards in all countries - this might sound provocative but consider the fact that offshore hedge funds deposit holdings now total 7-8 trillion dollars - close to the total gross domestic product of the United States. The price is paid by national policy-making, social benefits and the coherence of labor markets (UN March, 1999).[6]

In the context of socio-economic and political adjustment of neoliberal globalization the question is whether East and especially Southeast Asia represents another type of welfare regime (*a Third Way*) with its combination of low state social spending, weak labor movements and long working hours.

Social policy and Labor Policy in Southeast Asia compared with other regions

The following provides a discussion about the social security arrangements in Southeast Asia (Thailand, Malaysia, Indonesia and the Philippines) compared with East Asia (especially Korea and to a lesser degree Japan).

Before the crisis, Southeast Asia's growth strategy necessitated that the demand and supply of economic security, of which labour rights, old-age income security, and health care are major components should be kept as low as possible. Also, the major burden of their provision should be on the individuals and families. The resulting economic insecurity, coupled with state control over

6 See UN Development Update http://www.igc.org/globalpolicy/socecon/tncs/taxes99.htm.

accumulated mandatory savings provided ideal tools for social and political control to the ruling elites. That there is a degree of hypocrisy involved here is confirmed by the fact that these elites do not need to face such economic insecurity as they have defined-benefit pension plans for life. Accordingly, the official policy and ideology on social welfare does not apply to individual elites' personal plans.

All historical precedents of crises show that it is always a substantial shock to any social system. But the effects of the 1997 crisis were amplified in the three most severely affected countries by the absence of a meaningful social safety net. Out of three countries, only Korea had an unemployment insurance system, which was of recent origin and limited coverage and duration. Systems of social assistance were also rudimentary. The vast majority of displaced workers thus had to fend for themselves during the crisis. In addition social expectations had been shaped by extensive employment opportunities and this made the shock in the labour market all the ruder. "Indeed this combination of sharp and unexpected social pain on the one hand, and the lack of collectively provided relief on the other, is fertile ground for breeding social unrest" (ILO 1998: 12).

The centrality of the state with regard to capacity and will can be compared by looking at central government expenditure on social programs. While there was traditionally one social welfare department in Southeast Asia or at least an agency, it typically had a very modest budget and no basic-needs mandate. Not surprisingly, during the period from 1972 to 1990, the share of central government expenditure on 'housing, amenities, social security and welfare' among the Southeast Asian countries ranged from a 0.9 percent increase in Malaysia, to a decrease of 1.2 percent in Thailand, 0.6 percent increase in Indonesia, and a 2 percent drop in the Philippines. Placed in the context of comparative Third World development this was markedly lower than the 16.2 percent average for middle-income LDCs in 1985 and also much lower than the average in most of the Latin American and South Asian countries. These pre-crisis figures indicate that already a decade ago there was a potential conflict over rising living expectations and pressure on the delivery of public goods and services (Schmidt 1998: 52). The state-provided social security programmes in the region, although covering civil servants and military personnel, leave large gaps in coverage. At the lowest end is Indonesia, where the various schemes cover 9 per cent of the population and 20 per cent of the labor force. Active contributors to the Central Provident Fund in Malaysia form 20 per cent of the population and 50 per cent of the labor force. Those who are excluded from statutory schemes are usually who need public support the most: domestic servants, casual workers, seasonal workers and the majority of farmers. The anomaly is the result of the governments efforts to keep public expenditures on social security down, which leads them to establish programmes that are partially or fully funded from contributions by employees and/or employers (Ramesh 2000b: 178).

In comparing Southeast Asia and East Asia it is worthwhile to emphasize six important differences:[7]

1) The level of income equality has been much higher in East Asia than Southeast Asia.[8]

2) Public expenditures on education have been much higher in East Asia than Southeast Asia especially in terms of targeting higher education.

3) Public expenditures on health are low by any standard, and rely primarily on private sector and individual resources.

3) Expenditures on social security have been equally low in both cases relative to their economic level.

4) Poverty has increased tremendously after the crisis - for instance in Indonesia conservative estimates that poverty might be as high as 50 per cent.

5) Statutory social security is being expanded in Korea and Taiwan while Southeast Asia seems to be moving in the direction of charity and philanthropy.

6) Southeast Asian countries are increasingly turning to the private sector in the provision and/or financing of social programmes.

It might be worth repeating that no single East or Southeast Asian welfare state exists as in fact the history of welfare is determined by the distinctive

7 I don't want to spend to much space here on the social data as others have done that already. See for instance Ramesh with Asher (2000) from where some of the information in 1-6 above has been adapted; Gough (2000); Goodman, White and Kwon (1998); and Hersh and Schmidt (forthcoming).

8 According to the World Wealth Report 1999 from Merill Lynch and Gemini Consulting, the region's wealthy managed to increase their collective worth by 10 % year-on-year in 1998 to $4.4 trillion. Their secret? It's threefold: They hold much of their assets overseas; when the crisis hit they shifted from local currencies to the U.S. dollar, and most importantly, they did not panic, but rode out the equity storm. They can look forward to even greater riches: Their collective value is predicted to soar 63% from the 1998 figure to $7.2 trillion by 2003 (cf FEER June 3, 1999).

institutional matrix of politics in each country (Kwon 1998: 66). What those societies and regions do share is that conservative forces have so far dominated the debate regarding social welfare and those labor unions and workers in general have not been able to any significant degree to enter the policy agenda regarding social policy. This might be interpreted as a specific ideology based on an organic understanding of state and society. An ideology which has been described as "corporatism without labor", whereby the state, the conglomerates, and the banks worked hand-in-glove, but labor was systematically excluded (Cumings 1999: 37).

The reason for this is related to the labor market policies which share the infamous doctrine described above across East and Southeast Asia. It is evident that the strategies taken have been based on labour discipline and peaceful industrial relations which are an important prerequisite for EOI development. Although there have been periods of repression and periods of freer organization of labour in the region, the development strategy of the political and business elite has always built around the marginalization of labour. This type of labour market regulation (usually tight and repressive with brief periods of more loose policies) has had the consequence that trade unionism has been weak or co-opted by the state or in the case of Korea, although illegal, it has also been militant and in strong competition with the corporatist-based union. The key problem, no matter how one defines democracy, has been political representation. Labour and other marginalised groups haven't had an institutionalized voice in the political arena. Historical evidence shows clearly that, this is not a matter of "new politics", but related to repression and outlawing of alternatives to the dominant discourse of growth, exports and elite paternalism (Schmidt 2000).

During both the early and late phases of EOI labor market policies in the region have been rather successful in mobilizing domestic labor resources. Rarely have labor posed a significant threat to employers at the local level. In all the countries under scrutiny, except the Philippines, the control or elimination of the left went hand in hand with an extension of state control over labor activism and the incorporation of labor into directly or indirectly state controlled unions. The historical background is well known, and it is also well documented that this was done with the help and advice of the United States and Great Britain all over the region during the Cold War. The result has been exclusion of organized labor and the fact that markets determined wages independent of union interference. Micro-corporatist unionism and decentralization later on became a strategy to upgrade skills and training especially in Korea, while in Southeast Asia who was a late-comer in EOI driven industrialization, there was and still are strong labor controls which basically can be explained by the heavy dependence on foreign investment.

With affluence, demographic change and greater democratization in Korea, Taiwan, Mainland China and to a certain extent Southeast Asia, demand for economic security has been growing. By the late 1980s there was a general decline in fears of mass empowerment in the business sectors in Korea and Taiwan and the relationship between capital and labor began gradually to move away from zero-sum-conflicts. Moreover, the task of controlling the agenda of social policy was becoming more difficult because of affluence which provided more choice, and because of the information revolution. Today the financial crises in 1997 and 2008 started the region is in a transition phase searching for new models and new ways to cope with new demands both from the IFIs and other international actors and institutions, and not least growing demands from within the domestic social fabric.

Corporatism With Labor (The Scandinavian Model)

In a well-known article Walter Korpi presents a general framework for comparing social policy strategies in a comparative perspective. The focus is put on the distributional arrangements in each society and the key variable is the way in which working classes have been incorporated into politics. Welfare is seen in terms of pressures from below and as pressures from a particular class (Korpi 1980). He found at least five types of working class organization and control in the capitalist countries during the post-war period 1946 to 1979. What is of interest to note here is that based on Korpi´s data there were great differences between the countries in these respects. This might imply that based on historical and empirical evidence there are more roads to social welfare than we might expect, and this might also provide some leavage to the argument that East and Southeast Asia consist of many different societies and hence different types of working class pressures may result in varying social welfare models. A fact, which is confirmed a number of studies by Gösta Esping-Anderson who initially described the infamous three worlds of welfare, but is now more inclined to talk about four or even five models. Esping-Anderson´s definition of social welfare policy as policy designed to help those who suffer from the irregularities of capitalism based on transfer payments which help established payments is the most promising because it is broad and flexible.

In this connection what is characteristic of the Scandinavian model is that it is based on principle of universalism, which strives to keep unemployment at low levels, and includes women in the labor force. However, social benefits are disbursed to all regardless of social status and not related to the position in the labor markets exclusively. It is exactly this aspect which makes it different from the German and the Anglo-Saxon model where the latter is based on the neo-liberal principle of means-tested aid meaning that it only helps the socially disadvantaged, and thereby leaves itself open to welfare backlash.

Corporatism can be defined as some kind of "natural" organic unity of societies and a "natural" division of society into various groups each with its "proper" roles. In the literature of political science, it can have fascist or quasi-fascist connotations and can also refer to a system of intermediation between interest groups and the state based upon peak associations granted a monopoly of representation within their sector of society (Schmitter 1979). Furthermore, Peter J. Katzenstein has defined a well-known model of political economy he calls "liberal corporatism" (Katzenstein 1984, 1985). And, of course, the post-war model of Scandinavian corporatism became a rough synonym for the social democratic welfare state. In Weir's and Skockpol's essay on Keynesian responses to the Great Depression they note that Sweden and the United States applied different policies, thereby reinforcing the differences in the original societal set-up. The reason why it is extremely difficult in the long-run to establish any kind of statist co-ordination of policy, and especially one which favors social welfare in the U.S. is the combination of separation of powers at the center together with federalism. While in Sweden the state is centralized and has a unitary nature including major interest groups which increased both the knowledge and the drive necessary to run such a policy (Weir and Skockpol 1983). Although this is still the case today this example shows clearly that there is not *one* model or convergence in the organization of different types of corporatism, but many types also in terms of social and labor market policies.

For instance, one study notes a striking difference between macro and micro corporatism where the first is exemplified by Sweden (Scandinavia), and the latter by Japan and especially Germany. Large companies in these countries are supported by a mass of subsidiaries and smaller firms, often relying on cheap and non-unionized labor, sometimes bereft of basic labor rights as defined by the ILO as in the case of Japan and Germany. Such a society is dual, whereas Scandinavian countries in the European context are homogenous.

Corporatism in the Scandinavian case is based on cooperation while in the East and Southeast Asian case it is based on co-optation and incorporation of various institutions especially those associated with the labor market. The question is therefore not which instruments the state should use to support corporatism including labor, but rather how the state can establish a policy dialogue with societal actors. In other words: before anything else, state and societal actors must establish new governance structures. This applies to necessary changes internal to business associations and trade unions as well as to networking between them. The state has to establish close consultation and collaboration within the bureaucracy, and to cut its overly detailed interventions into economic and social processes. Societal actors have to establish a certain degree of internal cohesion. This is particularly difficult in traditional corporatist environments where associations received their mandate from the state rather than from their members. Only then will policy networks emerge that aim at problem-solving rather than at confrontation or exclusion.

As we have seen the general mode of "corporatism without labor" in especially Southeast Asia is not conducive to an emulation of the Scandinavian model. However, recent developments in Korea show that this depends very much on the ability of labor to organize and maybe even more importantly to institutionalize a political party which can fight for the rights of workers and the type of welfare state best suited to each country. The old-style corporatism was based on state structuring of interest representation though a quasi-representational monopoly. What the new style corporatism will be based upon remains to be seen, but below three plausible scenarios regarding both social welfare reform and labor market reform for the near future are discussed.

Three possible scenarios for social policy and labor market reform (Corporatism With or Without Labor)

It is possible to discern three scenarios from this analysis. *One scenario* is related to a possible replication of the two-tier non-welfare corporatist approach in Japan. *The second scenario* is related to problems of demographic change and health, such as the ageing population and changes in family patterns on the one hand and on the other the increasing importance of self inflicted and degenerative diseases such as HIV/AIDS, heart ailments and cancer which will create immense pressures on the financing of health care, and release pressures on the state because of the prohibitive costs of private insurance. *The third scenario* is related to the increasing influence of labor on the political agenda especially with regard to social and labor market policies. This evolution is the outcome of a number of factors: The growing unevenness and unequal distribution of wealth; a response based on social and democratic rights to the so-called notion of "Asian values"; democratization and the social consequences of the crisis. This is evident in all the countries in the region, but the case of Korea is singled out as the "Tiger" in terms of the new agenda based on labor´s rights which are based on the strength of trade unions.

Enter the first scenario. As the experience of Japan has shown, Southeast Asia might enter a period of corporatism "without labor", which denotes a highly policy coordinated system but with a relatively small unionized workforce belonging to company unions whose national federations are weak and politically marginalized. At the micro level, a system of private welfare corporations consisting of an array of workforce training facilities as well as assurances of employment security, reinforced with an array of corporate social welfare services. Private welfare corporatism is presented as a way of showing labor=s interests and achieving consensus, which should mirror the macro forms of cooperation found in Northern Europe. According to Sanford Jacoby, such micro corporatism also compensates partially for the lack of labor representation in the Japanese political economy. Thus Japan is a two-tier system combining statist "Corporatism without labor" with enterprise "Welfare Corporatism". This two-tier approach also exists elsewhere in East Asia, notably in Singapore, Taiwan and South Korea (Jacoby 1995: 21).[9] However, this model might also be called "employer paternalism", indicating a particular mode of government (indirect control/support) which paradoxically can be seen as an outcome of the official belief in laissez faire. In Malaysia the percentage of in-house unions, before the government launched its "Look East policy", was 47 percent, and this figure increased to 54.5 percent in 1988. With government support, this type of unionization will increase significantly in the near future, implicating some success in emulating their Northeastern counterparts (Arudsothy and Littler 1993: 128-130).

Enter the second scenario. The capacity for nation-wide social pacts is however closely connected to the issues raised in this paper. This scenario points to future potential political instability in the region, such as labor unrest, foreign domination of the national corporate sectors, and unequal economic development exacerbated by competition for capital investment and markets in similar products. Also the middle class has high expectations, particularly related to the infrastructure of cities, and is pressuring governments and the private sector to place higher priority on urban environmental improvement (Webster 1995: 89).

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9 For a comparative discussion of weaker, but emerging types of micro corporatism in Toyota and Mitsubishi plants in Thailand, see (Deyo1995: 134--140); and in Proton Saga plants in Malaysia, see (Rasiah forthcoming).

Some political leaders such as Mahathir and Lee Kuan Yew saw their countries' economic future in terms of an educated workforce. This obviously implies growing commitments to education, health, and social services, and might well undermine the current non-welfare regime. What seems even more irreversible is an "attitudinal shift from the dynastic to the life-cycle view of income and consumption under which accumulated savings are more likely to be spent than bequeathed" (Asher 1995: 16).

This is a critical point, because it shows the paradox of embryonic welfare state construction in East and Southeast Asia. It is globally unique and represents a hybrid of existing welfare state characteristics in particular with an essence close to the neoliberal ideal model. Another concern is the possible negative impact on savings. The Asian tigers= economic miracle was premised on high saving rates rather than Keynesianism: Families save for lack of adequate social security coverage. "A genuine welfare state, it is feared, will undermine this incentive" (Esping-Andersen 1996: 24). This view is reflected in the priorities of the Malaysian policy elite: "What contributions social security can make to economic development has become the priority rather than the social protection." (Karto 1985).

Although policy elites claim that social structures remain intact, they still try to reinforce a distinctive Asian culture. So far the state has been able to maintain the primacy of societal or group interests over those of the individual, but affluence and widespread Western-based education and economic and social ties, are likely to increase the tension between the two especially if economic is not as dynamic as was the case previously.

Furthermore, the extended family is on the decline. The trend towards the nucleus family and smaller families continues to gather pace with grave consequences for the ability of the family unit to take care of the older members and the disabled. What is at stake is the collapse of the traditional social support networks. The situation of social security in Indonesia Awill depend essentially on the economic development of the country until employment in the formal sector can be expanded considerably - and the organizational prerequisites for comprehensive social security thereby fulfilled - traditional forms of insurance will continue to predominate" (Queisser 1991). However, even in Indonesia, economic growth has changed the structural composition of the work force. This is visible in the considerable decline of agricultural employment and increasing urbanization. One consequence has been that "villages become urbanized, access to land denied, and workers are losing the informal social security net that had supported them in times of need. The other safety device, namely the high labor absorption capacity of the informal sector that had earlier supported industrial workers and their families is now also endangered” (Evers 1995: 169).

Also the effects of social and economic change on family structures have a considerable impact on the problem of the aged. Many Southeast Asian writers have expressed deep concern, because the number of old people requesting institutional services indicates the severity of the problem. Long before the financial crisis many Thai writers called for state involvement: “Many elderly people in Thailand are neglected by their children and the government has to accept responsibility for them” (Wongchai 1985: 375).

In the role-model of Japan, the hitherto distinctive “Asian values” as the place of hierarchy and social conservatism, which originally encouraged discipline, now seems to stifle new innovations and new ideas. Social harmony is waning and leisure is no longer managed by paternalist social relations. To give one example of these changing social relationships and their possible impact on social welfare: "People no longer choose to live in biggish family groups: the average household size has fallen from 4.5 in 1960 to 3.1 today. More people live alone: single-member households, a mere 3 % in 1955, made up 23 % by 1990" (Economist 1994: 58).

Taking further into consideration the fact that the younger urban generation has no memory or knowledge of poverty, another generational problem is added to what seems to be emerging in the horizon. The question is whether this generation in the longer run can accept the privatized systems of welfare in Southeast Asia which exists in a vacuum of a proper system of social security benefits and subsidized health. This is further exacerbated by a severe demographic problem consisting of massive migration into urban industrial centers, a process which undermines traditional forms of social protection. In East Asia, this poses a dilemma between hypothetical welfare construction and corporate plans, and the traditional stress on familialism with its care obligations.

Enter the third scenario. In Thailand, there is increasing evidence that because of the low state schemes for improving the income and welfare of employees to catch up with inflation, workers initially concentrated on demands for wage increases. But this pattern is probably changing. This is clear from the fact that Amajor issues of labor disputes from 1987 to 1989 concerned welfare (33 per cent) wages (20 per cent) conditions of employment (18 per cent) and other issues (29 per cent)" (Piriyarangsan and Poonpanich 1994: 241). The struggle to obtain social security protection in Thailand dates back to the 1950s, but in the late 1980s renewed pressure through public demonstrations and campaigns from the Labor Congress and Trade Union Congress resulted in the promulgation of the Social Security Act of 1990. The first phase was implemented in 1992 and covers health insurance, maternity benefit, disability benefit and death benefit. The scheme is financed by employers, employees and the government each paying 1.5 percent of wages as contributions, but there is serious debate about the second phase. The labor movement in Indonesia played a significant role in the ousting of Soeharto, and if the military stays in their barracks, it will play a role in determining the destiny of the economy and its social and industrial relations.

As mentioned above, the Korean labor organization KCTU participated in the tripartite negotiations between the government and business for the first in 1998. After years of illegal activities culminating in the famous strikes in 1987 they have more leverage than the corporate union-based KFTU. Because of labor´s strength even in white collar ranks the ”peak bargaining” can be interpreted as labor´s biggest gain ever (Cumings 1999). A victory which might be emulated by other trade unions in the region. Although the Arank and file@ membership of the KCTU rejected the comprise it is a step in the direction of dialogue and with renewed pressure from the World Bank and even the IMF to set up social safety nets and unemployment schemes it seems that a ”New Deal” for South Korea is still far away. One disturbing point in this connection is the still unsolved problem with regard to the untapped cheap labor pool in North Korea, which could serve as a reserve army pressing wages downwards.

Summing based up and especially based on the Korean example it is clear that the approach of non-welfare by Southeast Asian policy elites is only possible to implement if an autocratic political system is in place to restrict the rights of individuals, to ban labor rights and to enforce controls of the media. The real achievement of such a system is not social security but social control, and is probably not possible any more.

Tentative Conclusion: Southeast Asia between Neoliberalism and the Quest for Welfare

The problem of social welfare in Southeast Asia has closely followed the neoliberal ideology which is essentially a matter of identifying needs, solve problems and create opportunities at the individual level. The causes behind the needs for support are believed to rest overwhelmingly in individuals and sub-cultural defects and dispositions. Responsibility is deflected from states and national economic, administrative and legal organizations to individuals and groups. Little or no attention is paid to the interacting consequences of economic and social change for families, employment, taxation, housing, social security and public services. Laissez-faire individualism and the legitimation of discrimination are in fact the intellectual sources of this tradition.

This particular version of social welfare is in practice closely based on welfare theories about social philanthropy. It is difficult to discern anything specifically resembling "Asian values" in this context, except for the fact that it rests on a particular ideology which is used as a repressive tool to discipline labor's demands for social security and in general demands of the workforce which could humanize and socialize work and living conditions and economic relations.

As the above has suggested, the debate about social and cultural values, can be used for various political purposes according to ideology and the current political expediency. Singapore's philosophy regarding social security discourages any kind of system akin to the European model. To its leaders, it is important that Singaporeans do not lean on social security, be spoiled and become Asoft@. The hypocrisy is profound, when taking into consideration the fact that Singapore is probably the first high-income country in the world which attempts to provide social security while rejecting the main foundations of the welfare state. This is done through a system of individual provisions, rejection of social insurance, and an extremely limited public assistance system based on the Poor Law tradition (Asher 1996: 4-5). This is a variant of the Anglo-Saxon subordination of social issues to "business as usual" which projects a distorted and false picture of East and Southeast Asian societies. These are on the one hand portrayed to be characterized by low rates of government spending, strong family ties and on the other by a philanthropic entrepreneurial spirit whereby the owners of productive capital fulfill a social function as the benefactors who complement the family, as providers of work, shelter and medicine in case of illness, unemployment or marginalization of workers. In fact, these values are very close to those known in Victorian England.

But it is probable that the financial crisis and its solution offer some lessons which would-be Third World late-developers ought to take seriously. In conclusion it might be worth quoting one insider's view from the worst hit country who says that: "Today, instead of turning their attention away from East Asia because of the crisis, developing countries may find the region an even more relevant place from which to learn about mistakes that should not be repeated" (Soesastro 1998: 312).

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